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The Chairman's Summing Up at the Conclusion of the
1983 Article IV Consultation with Honduras
Executive Board Meeting 83/158 - November 21, 1983

Executive Directors were in general agreement with the thrust of the appraisal contained in the staff report for the 1983 Article IV consultation with Honduras. Directors expressed disappointment with the results achieved to date in the context of the present stand-by arrangement. The failure to achieve the program's fiscal objectives was partly the result of the weak state of the economy, but mainly of serious slippages in the implementation of the fiscal program. Honduras's track record in its financial programs with the Fund needs to improve greatly, Directors emphasized, and they expressed particular concern about Honduras's failure to observe the ceiling on credit to the nonfinancial public sector.

Directors emphasized that a strengthening of the fiscal performance was essential for the achievement of the Government's stabilization objectives. They stressed the need to ensure that expenditures be kept in line with the availability of financing and emphasized the importance of shifting the burden of taxation toward domestic transactions. The importance of accurate and timely data on fiscal operations was also stressed.

Directors encouraged the Honduran authorities to phase out import restrictions since these give rise to distortions in resource allocation, which undermine the prospects for a sound economic recovery. They emphasized that import restrictions and other payments restrictions should be replaced with more flexible management of the exchange rate, which would help to foster the improvement in export performance required to service the external debt in the coming years.

In considering possible further financial programs with Honduras, great care will have to be exercised, Directors said, to avoid the possibility of any slippages such as had occurred, and they called for close periodic reviews of possible further programs.

It is expected that the next Article IV consultation with Honduras will be held on the standard 12-month cycle.